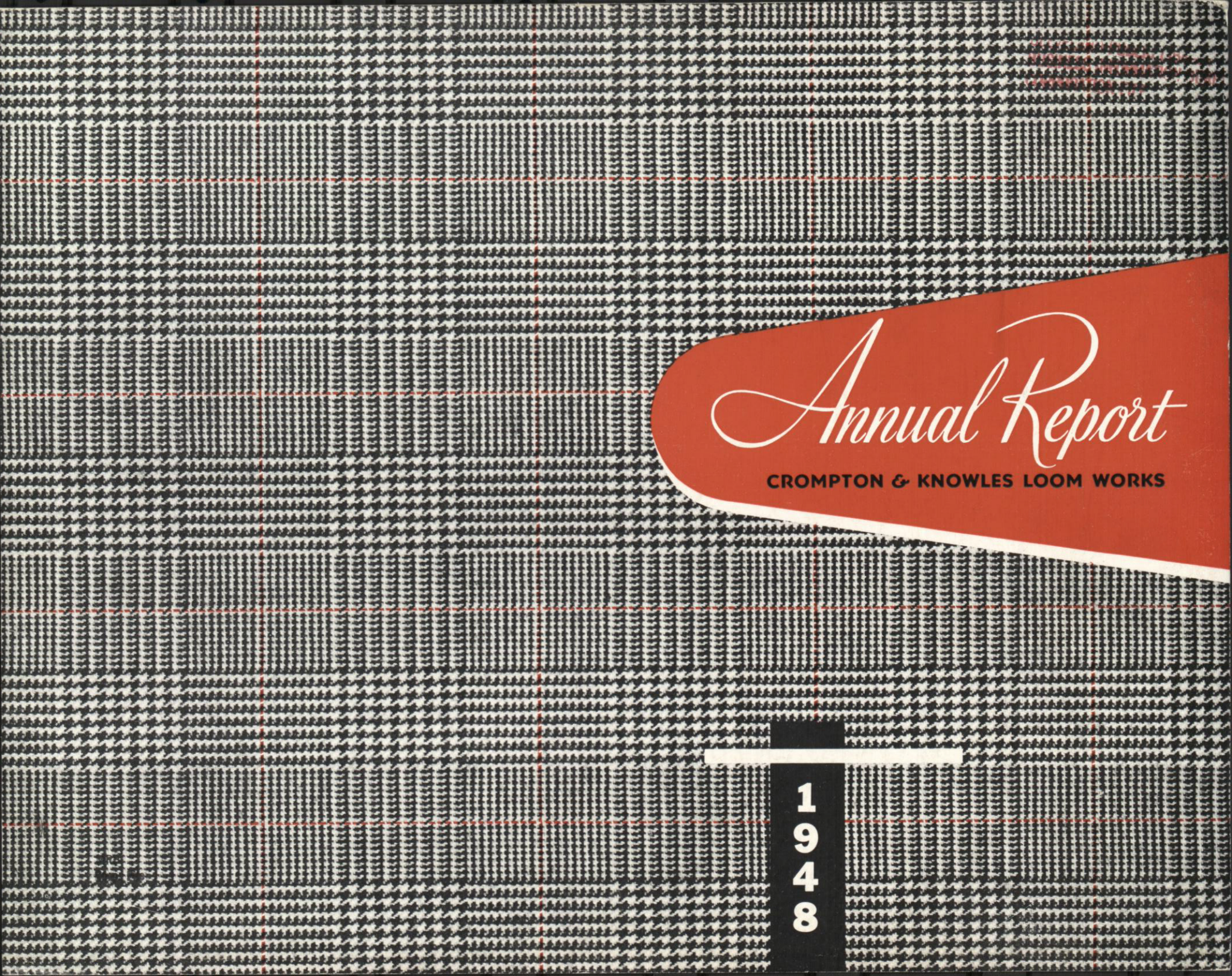
Annual Report
CROMPTON & KNOWLES LOOM WORKS
1948

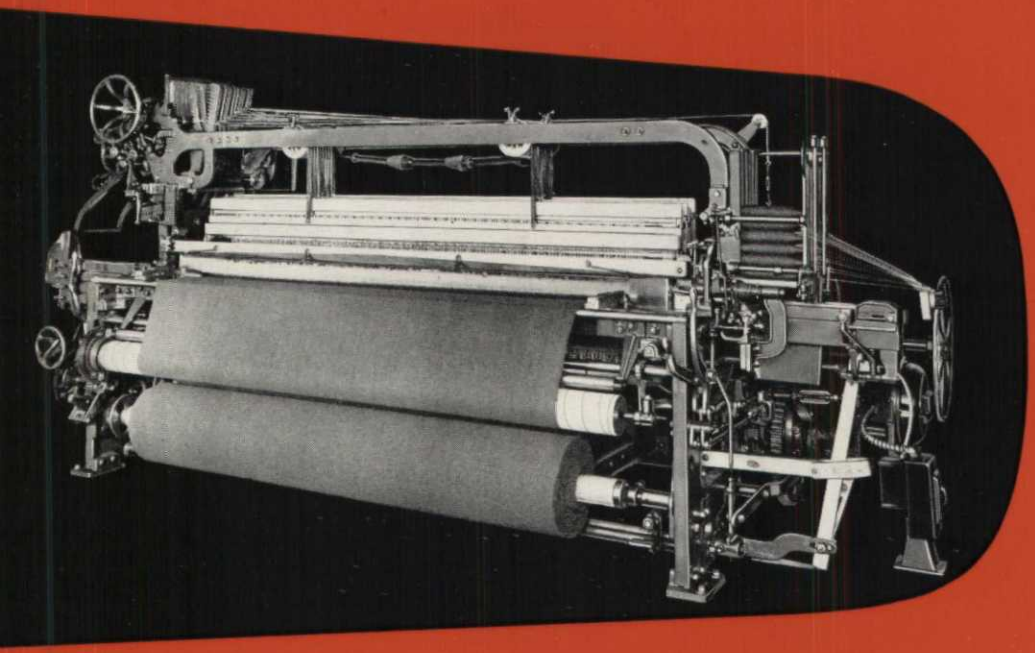

Illustration shows a W-3 loom. This is one of our new family of looms that has been so well received by mills in this country and by our export customers.

All Crompton & Knowles looms are built in our works at Worcester, Mass. Our principal types are for weaving box loom fabrics such as woolen and worsted suitings, overcoatings, blankets, silks, cottons, rayons, and other synthetics. We also build looms for weaving carpets, rugs, felts, ducks, and narrow fabrics.

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ANNUAL REPORT

1948

CROMPTON & KNOWLES LOOM WORKS

WORCESTER, MASS.

Allentown, Pa. - Philadelphia, Pa. - Charlotte, N. C. - Crompton & Knowles Jacquard & Supply Co., Pawtucket, R. I.

MRB
Corp. File

TO THE STOCKHOLDERS OF CROMPTON & KNOWLES LOOM WORKS

There is presented herein the Corporation's financial position, as of December 31, 1948, condensed from the certified report of Peat, Marwick, Mitchell & Co., Auditors. For comparative purposes, the corresponding figures as of December 31, 1947 are shown.

The net earnings for the year 1948, after all charges and provisions for Federal taxes, were $3,064,873.70.

Dividends paid during the year covered the usual dividend of $6.00 per share on the Preferred Stock, amounting to $145,782.00, and $4.50 per share on the Common Stock, amounting to $1,061,478.00.

From the earnings, also, we set up Reserves in the amount of $850,000.00, leaving a balance of $1,007,-613.70, which was added to Surplus.

From the figures thus presented it will be seen that 1948 was comparatively an excellent year, both in production and in profits. The volume of business done in 1948 far exceeded our prewar average and was upwards of 35% above that of 1947. Indeed, the large volume of business that we did in 1948, as well as several large economy and production programs required the necessity for the maximum retention of cash. A few of these items are as follows: Inventory of December 31, 1948 was practically $1,500,000.00 above that of December 31, 1947. In the same period, Accounts Receivable went up $1,200,000.00. Manufacturing Material for 1948 output was $2,500,000.00 above the previous year, and Total Payroll in 1948 was approximately $2,300,000.00 above that of 1947. Cash expenditures involving Fixed Assets amounted to $1,184,414.00 in 1948.

These, and increased Taxes, amounting to more than $700,000.00 over the previous year, constituted a heavy drain on cash requirements in 1948, and we were obliged to resort further to bank borrowings as reflected in the Balance Sheet.

The Reserves covered:

1. An additional $200,000.00 for possible price decline in inventory. Our inventory in 1948 did not increase in quantity as fast as our increased volume, which fact reflected careful administration. Prices, however, were distinctly higher than those of the year before.

2. A further reserve of $300,000.00 was established for the replacement of plant and equipment which it would be necessary for us to purchase at higher than original cost.

3. Our Employees' Retirement Trust Plan was further buttressed, in the security it affords our employees, by an additional reserve of $200,000.00.

4. A further reserve covered the allocation of $150,000.00 for the continuation of the Plant Improvement Program. The reserve set up the previous year of $150,000.00 was utilized and, therefore, its effect appears in the Surplus. It is thought that this 1948 reserve for expenditure in Plant Improvement will mark the full completion of major plans that we have set up for effecting economies and increased production.

Federal, State and City Taxes amounted to $2,460,-318.32 or $10.43 per share of Common Stock. In 1947, Taxes amounted to $7.42 per share, and in 1946, $3.50 per share. Thus, on the basis of per share of Common Stock, our tax burden was three times greater in 1948 than two years ago, in 1946.

OPERATIONS 1948:

While the year was, on the whole, a satisfactory one from the point of production and comparative profits, we had a difficult problem in getting certain

critical materials to make possible the great additional production that we processed in the year. As an index of what this meant, it may be said that we required and used 3,000 tons more of steel in 1948 than in 1947—a difficult material in itself to get, even in much smaller quantities.

Our labor situation was satisfactory in 1948, and a larger supply of new operatives was available. Our people are getting better trained in the making of quality looms, so that we made some real progress in building up an asset that has been more highly responsible than any other feature for the selling of our looms both here and abroad. After all, a loom must not give difficulty in operation. If it does, operatives become dissatisfied, the quality of the output of the loom goes down, lack of quality leads to decreased sales and higher costs, all of which tend to increase and encourage competition.

Our problem from now on must be to effect the greatest economy in manufacturing, as well as to develop the highest quality of product. We are making progress along this line and we hope to make even more with the cooperation of our employees, aided by the very expensive investments that we have made in the plant in the past few years, covering mechanization, and the best of machine tools.

PROSPECTS:

I regret to advise that, for the first time in several years, we appreciate that a new situation has developed, both in regard to demand for production, and the prices that customers will pay for our product.

At the moment, it would look as though our 1949 schedule as a whole will call for a high scale of operations throughout the year. However, there is a change in the situation, regarding the demand for textile fabrics, which, if it persists, will inevitably be reflected in our business. In many lines it has been existing for some time. The cotton industry, the spun rayon industry, as well as both the Southern and Northern filament rayon industries, and large numbers of woolen and worsted manufacturers have markedly curtailed operations and many plants have shut down completely. This slackening in operations of our customers has been accompanied by price cuts on a heavy scale in practically all lines of fabrics.

Our backlog of Supply and Warehouse items today is very heavy and will cause us to operate on a heavy schedule for some time, but we cannot overlook the fact that, if the mills which are the basis for these orders, are compelled to operate on reduced schedules, the inevitable result will be that fewer new orders will be needed to keep the machinery going that would be characteristic of the lower demand.

It is hoped that foreign exchange conditions may be such that we will be able to extend our foreign business to take up gaps which may occur in our domestic schedules resulting from the present recession in the textile business.

It is to be hoped, of course, that this reduction in operations in the textile industry is only a phase of readjustment which may be temporary. However, the extent of this and its severity depend entirely upon what the future develops.

John F. Tinsley

President and
General Manager

April 30, 1949

BALANC

ASSETS

	December 31 1948	1947
Current Assets:		
Cash	$910,694.84	$1,300,909.00
United States Government, State and Municipal Notes and Bonds at face value	227,000.00	227,000.00
United States Savings Bonds, issuing agency account	23,493.75	19,031.25
Notes and Accounts Receivable—Less Reserve	3,385,376.81	2,183,888.83
Inventories at lower of cost or market	6,534,956.86	5,038,417.08
Claim for refund of Federal Taxes on Income	65,901.00	65,901.00
Total Current Assets	11,147,423.26	8,835,147.16
Advance Payments on Loom Orders segregated in Cash and United States Government Bonds, contra	3,388,970.03	2,205,358.79
Investments in subsidiaries and other corporations at book value	262,501.00	261,001.00
Company's own stock—2,311 shares of 6% cumulative preferred at par value	231,100.00	231,100.00
Land, Buildings, Machinery, Equipment, Patterns, etc., less reserve for depreciation	6,510,312.70	5,707,573.22
Patents and Patent Rights	1.00	1.00
Deferred Charges	224,950.46	188,975.44
	$21,765,258.45	$17,429,156.61

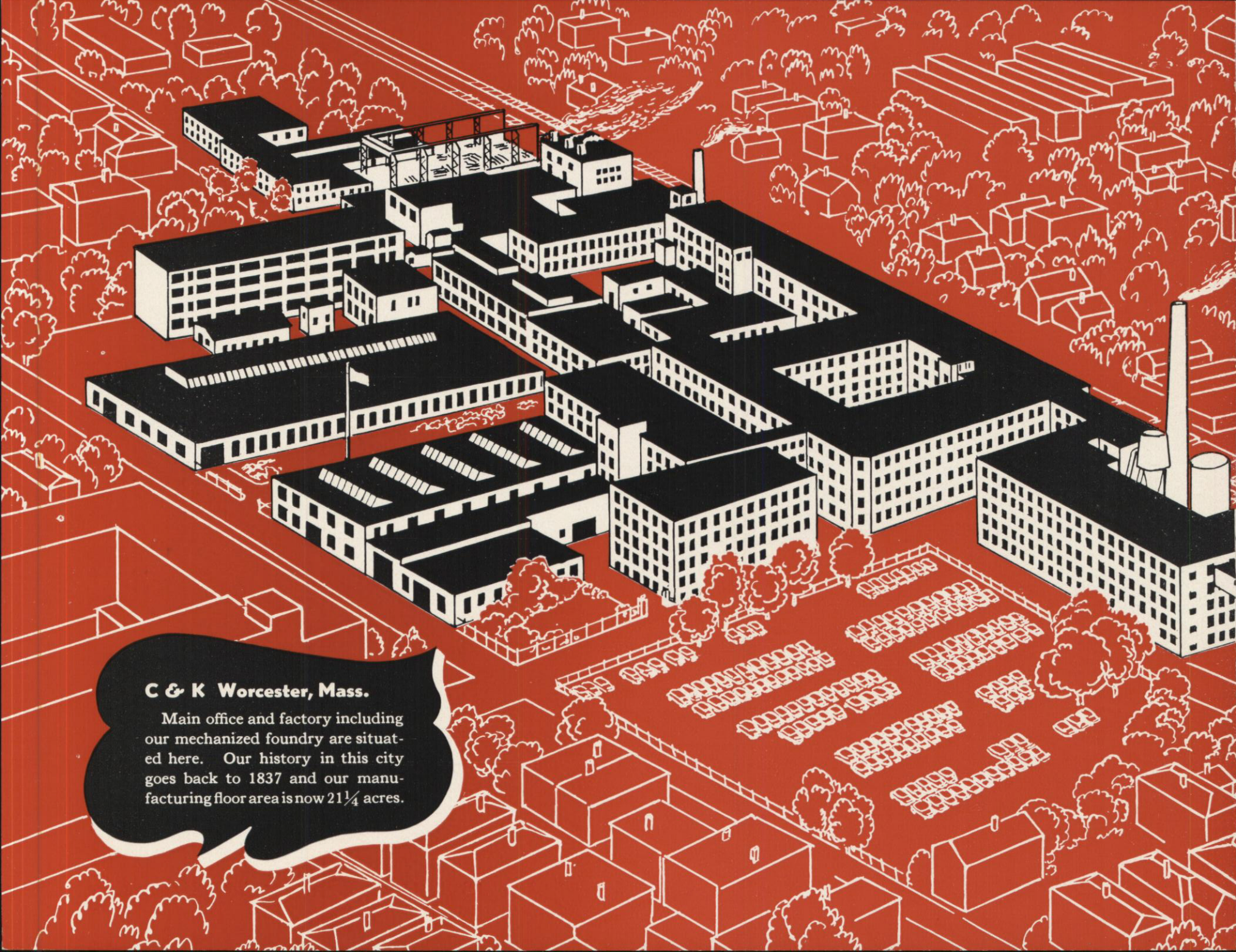
CROMPTON & KNOWLES LOOM WORKS

E SHEET

LIABILITIES

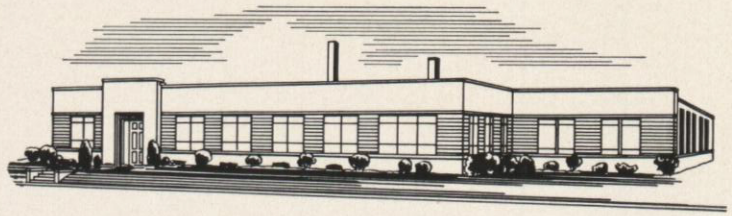
	December 31 1948	1947
Current Liabilities:		
Notes Payable, bank	$500,000.00	$250,000.00
Accounts Payable	1,085,782.05	709,153.41
Accrued payrolls, taxes, etc.	575,031.15	528,795.00
Provision for Federal Taxes on Income	1,941,634.20	1,319,622.09
Dividends Payable	36,445.50	36,445.50
Total Current Liabilities	4,138,892.90	2,844,016.00
Advance Payments on Loom Orders, contra	3,388,970.03	2,205,358.79
Reserves:		
Possible price decline in inventories	600,000.00	400,000.00
Replacement of plant and equipment at higher than original cost	500,000.00	200,000.00
Employees' Retirement Trust Plan	400,000.00	200,000.00
Plant improvement programs	150,000.00	150,000.00
Total Reserves	1,650,000.00	950,000.00
Capital Stock:		
6% cumulative Preferred Capital Stock of $100.00 par value per share, callable at $102.50 per share plus accrued dividends. Authorized and issued 26,608 shares (including 2,311 shares acquired and held in treasury)	2,660,800.00	2,660,800.00
Common Capital Stock, no par value: Declared value $25.00 per share Authorized and issued 235,884 shares	5,897,100.00	5,897,100.00
Earned Surplus	4,029,495.52	2,871,881.82
	$21,765,258.45	$17,429,156.61

• WORCESTER • MASSACHUSETTS



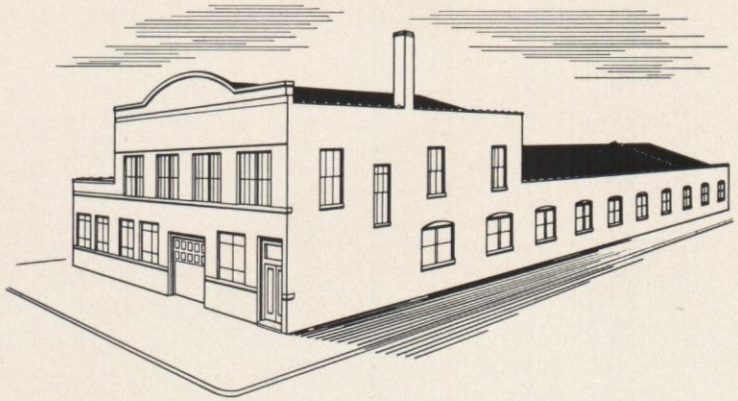
C & K Worcester, Mass.

Main office and factory including our mechanized foundry are situated here. Our history in this city goes back to 1837 and our manufacturing floor area is now 21¼ acres.



C & K Charlotte, N. C.

This modern Southern office and warehouse was built in 1940 and enlarged in 1948. It is centrally located for a distributing point for our Southern customers.



C & K Philadelphia, Pa.

Office and warehouse that serves the Textile Industry of that section of the country. We also maintain a sales office in Allentown, Pa.

DIRECTORS

George Crompton	Worcester, Mass.	Henry Frank Phelps	Philadelphia, Pa.
Rufus S. Frost	Worcester, Mass.	Charles Stetson	Boston, Mass.
Frederic W. Howe, Jr.	Worcester, Mass.	John F. Tinsley	Worcester, Mass.
William D. Ireland	Worcester, Mass.	Irving H. Verry	Worcester, Mass.
Lucius J. Knowles	Boston, Mass.	Frances Knowles Warren	Boston, Mass.
Albert Palmer	Worcester, Mass.	Harold R. Wing	Worcester, Mass.

OFFICERS

John F. Tinsley	*President and General Manager*
Irving H. Verry	*Vice-president*
Rufus S. Frost	*Vice-president, Treasurer and Clerk*
Frederic W. Howe, Jr.	*Vice-president and Sales Manager*
Albert Palmer	*Vice-president*
Albert W. Muir, Jr.	*Assistant Treasurer*

Transfer Agents:
Worcester County Trust Co.

Auditors:
Peat, Marwick, Mitchell & Co.

CROMPTON & KNOWLES LOOM WORKS

WORCESTER, MASS.

Allentown, Pa. - Philadelphia, Pa. - Charlotte, N. C. - Crompton & Knowles Jacquard & Supply Co., Pawtucket, R. I.

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